

**RETAIL LEADERS**

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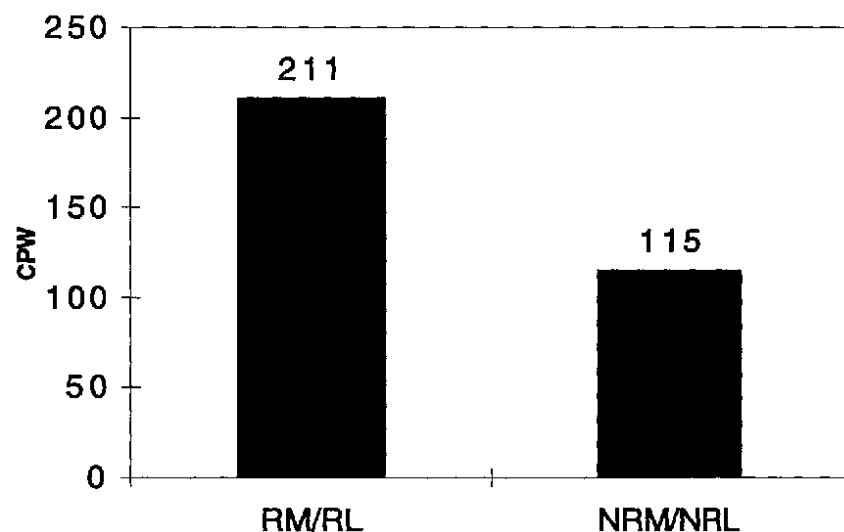
**INTERNAL SELL STORY**

**Base CPL**  
**The Foundation for Continued Success**

## RETAIL LEADERS

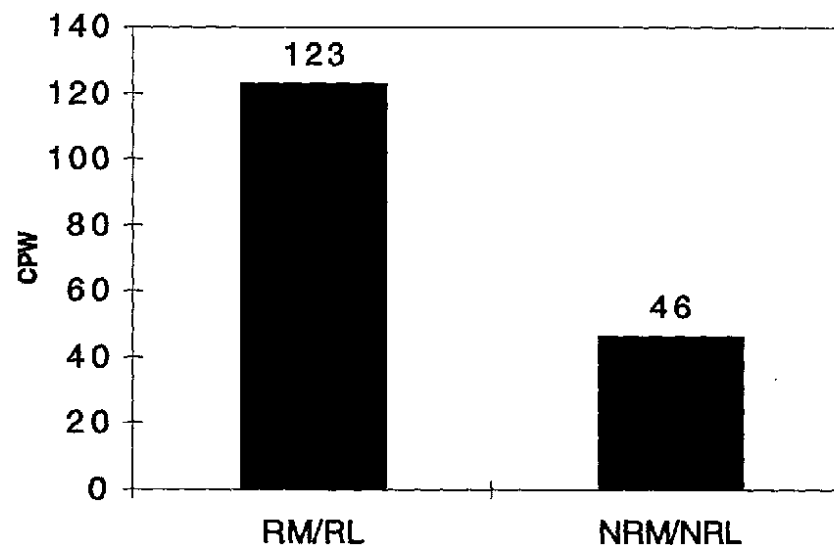
- Accounts that participate in PM merchandising programs typically enjoy higher weekly Industry sales volume than non-participants

Industry CPW



- Participants also typically sell more PM Cartons per week than non-participants

PM CPW



SOURCE: PM STARS

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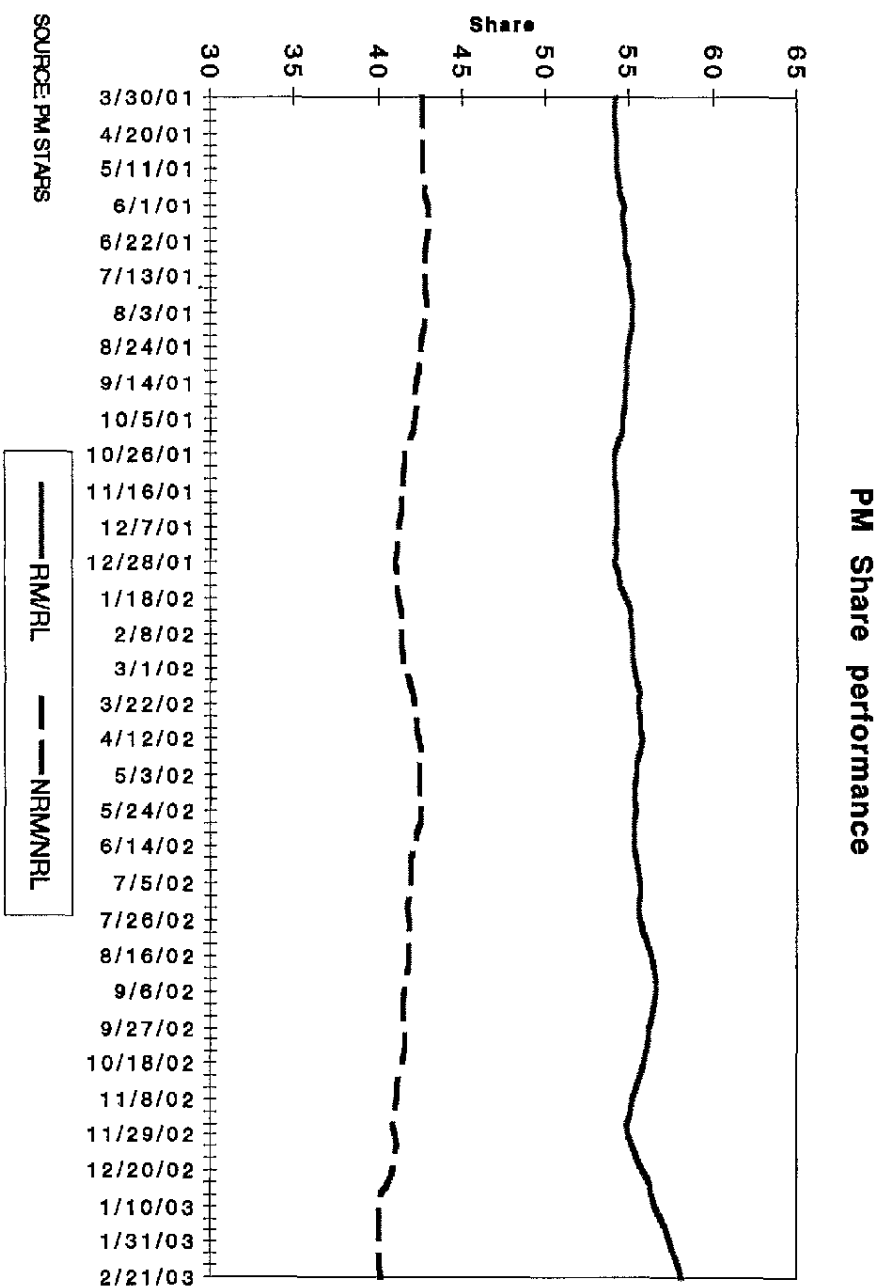
4/29/99

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## RETAIL LEADERS

## OVERVIEW

- PM also wins in that our share is higher in participating stores
- Thus, our merchandising programs create a "win-win" scenario for PM and our retail customers



## RETAIL LEADERS

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## SITUATION

### Situation

- Retail Leaders has been well received by our retail customers

Retail Leaders Contracted Volume	50%
Retail Masters Contracted Volume	25%
Total Contracted Volume	75%

### Issues for PM

- Our retail customers have asked for additional options from us
- The environment has changed since we originally launched Retail Leaders
- Since Retail Masters expires on 6/30/99, we still have 25% of our volume to convert to Retail Leaders before the end of June
- If our merchandising programs benefit both the trade and PM, we would like to have more stores participating

### Why is this important?

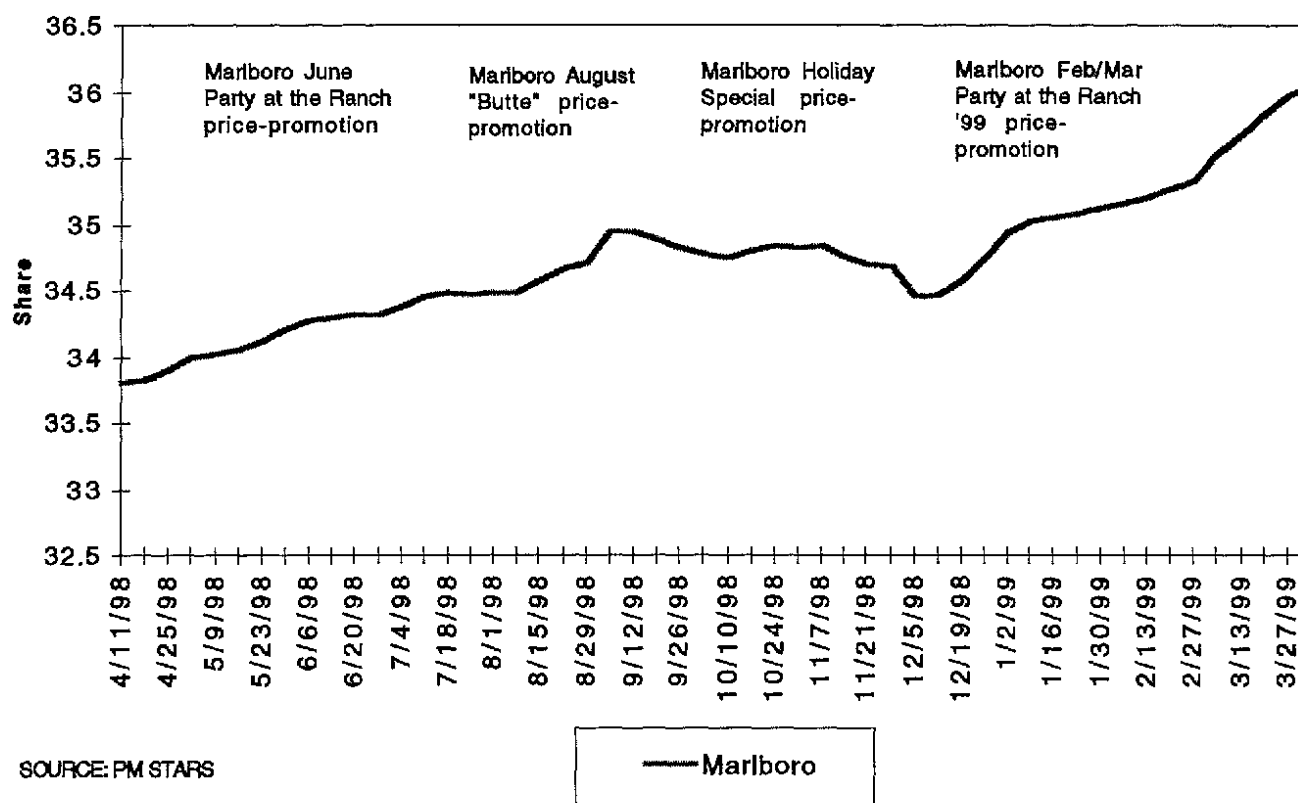
- There are 2 key factors that have contributed to our success in participating stores
  - Outstanding promotional execution
  - Strong merchandising values

## RETAIL LEADERS

## SITUATION

- Compelling Marlboro consumer events and equity have driven Marlboro's share gains

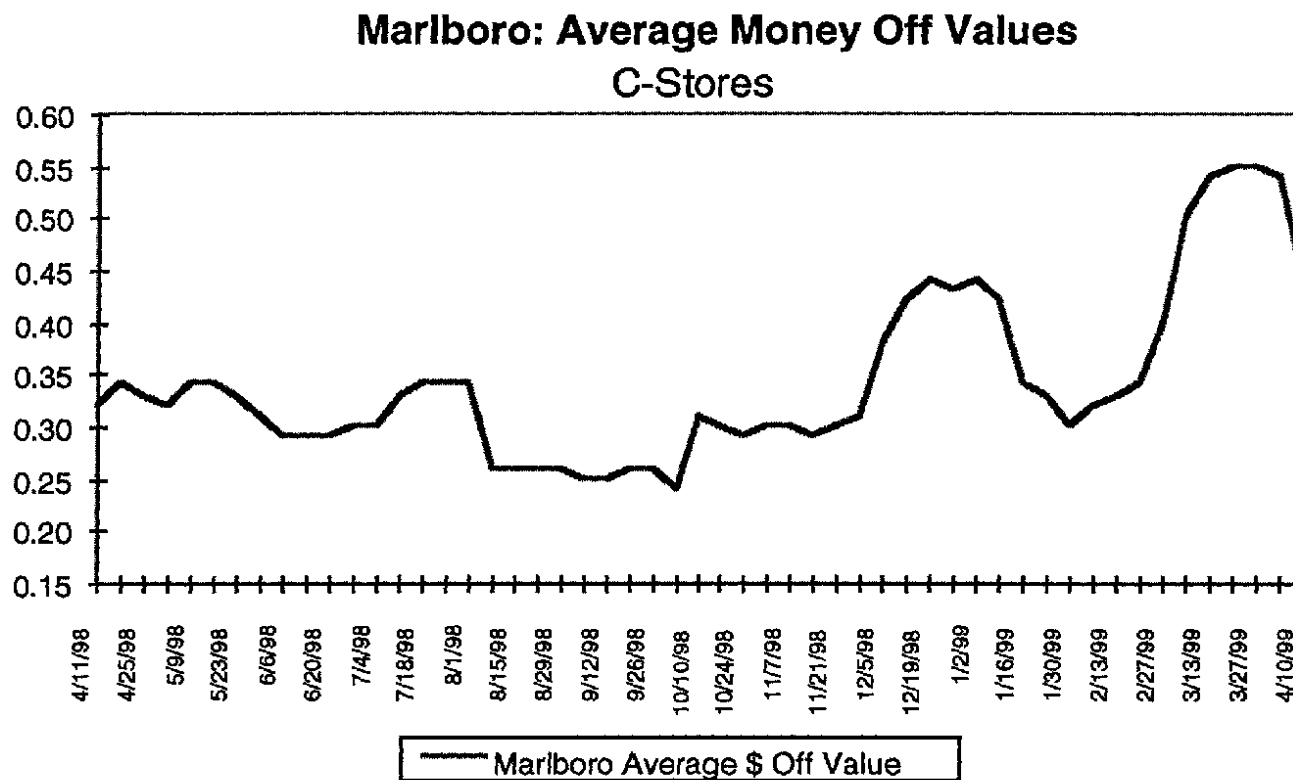
Marlboro Share performance



## RETAIL LEADERS

### SITUATION

- In order to appeal to consumers, and maintain Marlboro's growth, we've increased our spending on price promotions

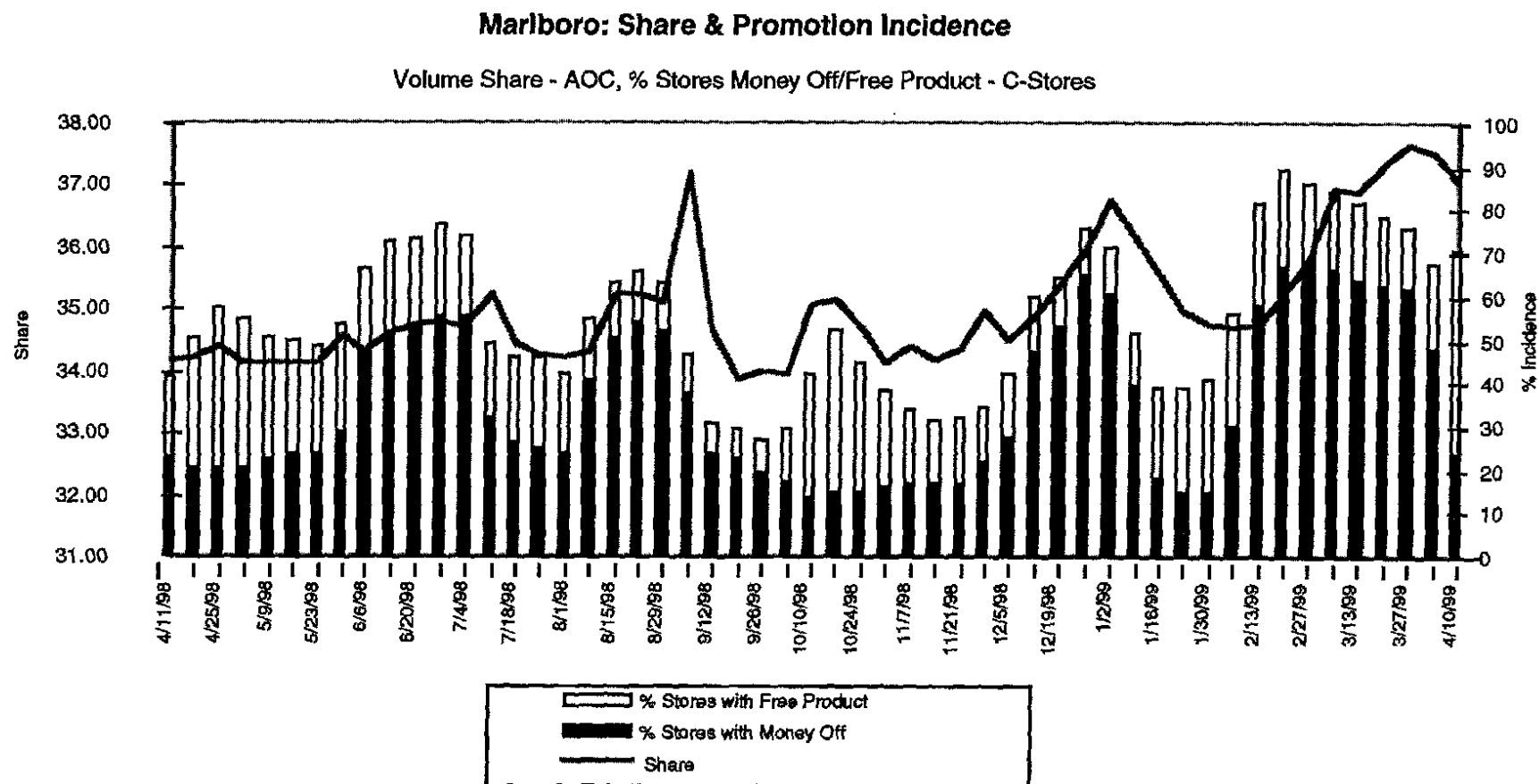


SOURCE: IRI/Capstone as of 4/10/99

## RETAIL LEADERS

## SITUATION

- Marlboro's share growth continues as a result of our promotional penetration and execution.



SOURCE: IRI/Capstone as of 4/10/99

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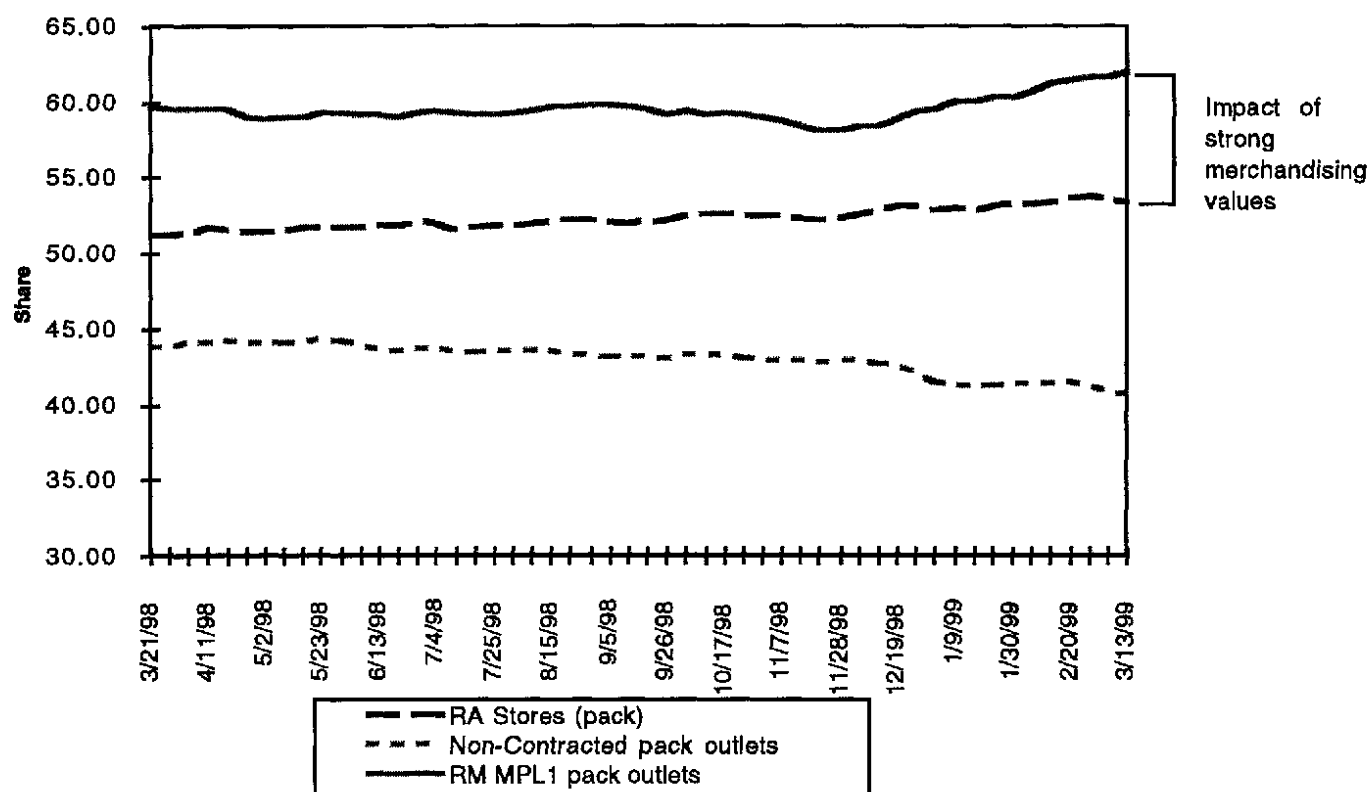
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## RETAIL LEADERS

## SITUATION

- Yet, promotions are only half the story
- This slide shows how strong merchandising values contribute to PM share. Since RA stores and RM MPL1 stores receive similar promotions, the share difference between RA stores and RM MPL1 stores, is derived from stronger merchandising values.
- To continue to win at retail, we need both to promote and gain a strong merchandising platform

PM Share Performance



SOURCE: PM STARS 13 Week Moving

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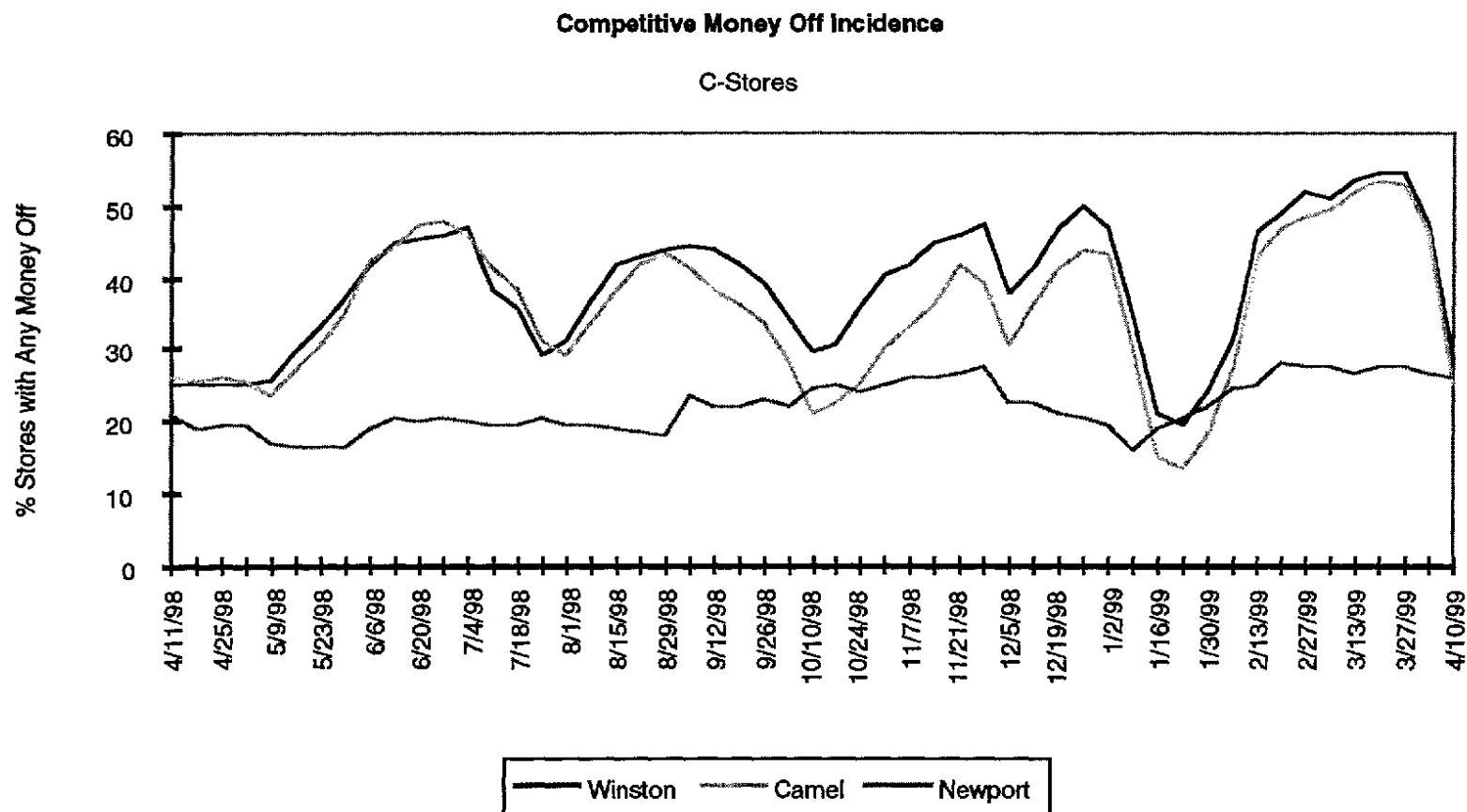
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## RETAIL LEADERS

## ISSUES

- However, competitors have also increased their price-promotion rates

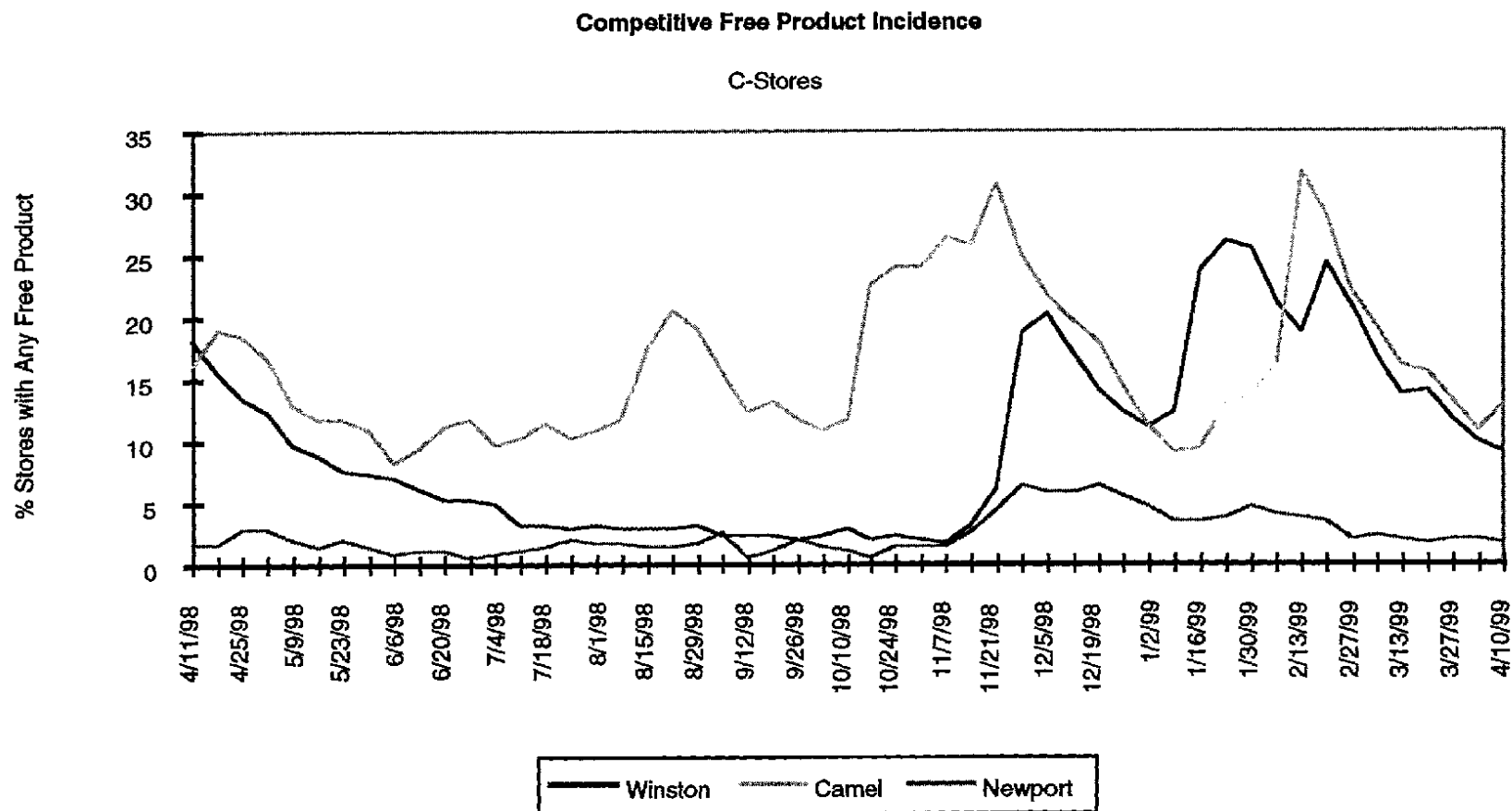


SOURCE: IRI/Capstone as of 4/10/99

## RETAIL LEADERS

## ISSUES

- Competitors have also increased their spending on product promotions

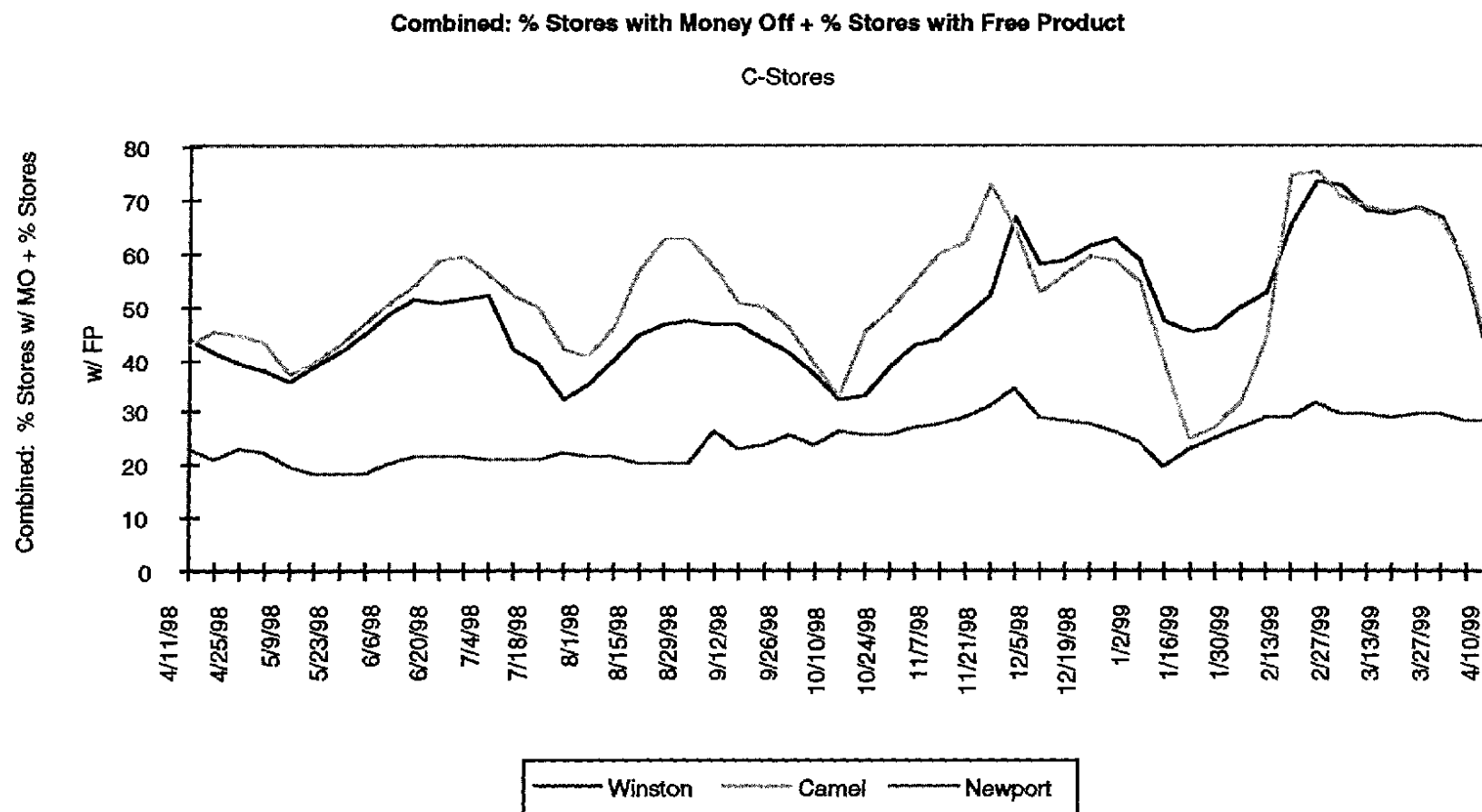


SOURCE: IRI/Capstone as of 4/10/99

## RETAIL LEADERS

## ISSUES

- Overall competitive promotional penetration and spending is increasing



SOURCE: IRI/Capstone as of 4/10/99

## RETAIL LEADERS

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## SOLUTION

### Our objectives

- Increase PM promotion breadth
- Increase PM merchandising breadth

To do this, we are offering an additional Retail Leaders option that offers a different alternative for retailers choosing to participate in Retail Leaders. We call it Base CPL

### Retail Leaders now has 4 Category Performance Levels

Base CPL: 0% of Category Space is merchandised with an Industry Fixture

CPL 1: 33% of Category Space is merchandised with an Industry Fixture\*

CPL 2: 50% of Category Space is merchandised with an Industry Fixture\*

CPL 3: 100% of Category Space is merchandised with an Industry Fixture\*

\*Industry Fixture Minimums: CPL1-2FT. & CPL2&3-3FT.

## RETAIL LEADERS

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### HOW IT WORKS

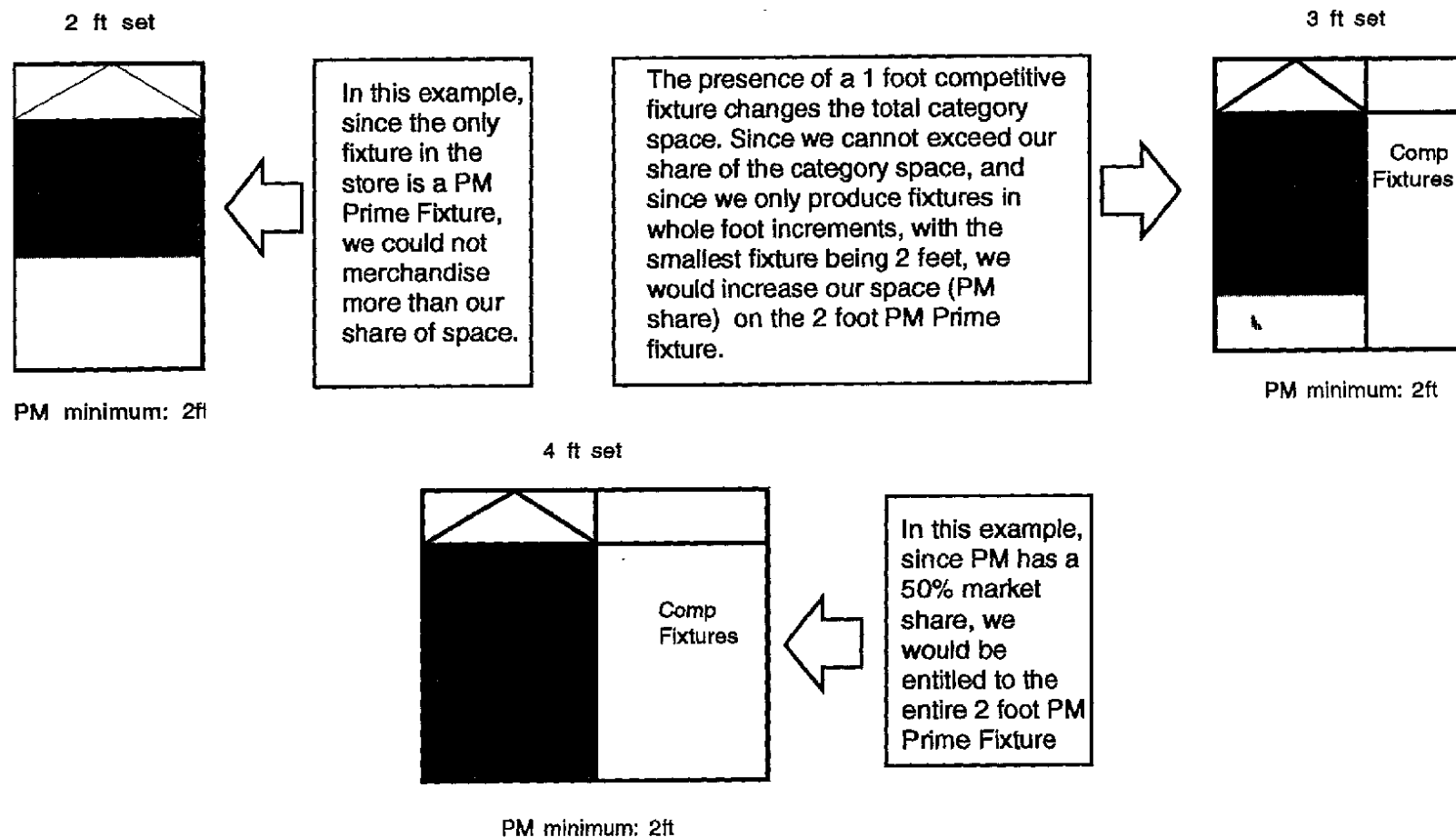
#### Pack Accounts: Plan PK Base CPL

- A. Retailer Chooses department size
  - B. Retailer agrees to allocate the greater of 2' or PM share of market of the total linear (width) category space (share of store sales or market share, whichever greater) for a PM Prime Fixture. 90% rule applies if PM share > 55%
  - C. If Retailer has an OPM, it must be a PM or Store owned OPM. OPMs supplied by PM may contain a PM sign or any non-branded non-tobacco signage the store chooses. If store-owned, the OPM may contain a PM sign or any non-tobacco signage, branded or non-branded. OPM signage is included in share of signage calculation
  - D. If competitive counter displays, PM counter displays
  - E. Share of signage
- All other plan PK universal values apply
  - All other plan PK CPL1 benefits (to include 5 weeks of Growth Funds) apply except:
    - Reduced merchandising payment
      - \$0.20 per PM carton

## RETAIL LEADERS

### HOW IT WORKS

- All examples assume PM market share of 50%. In examples where PM share is other than 50%, multiply the available category space X PM market share and round up or down (according to standard rounding conventions) to the nearest whole foot (but not less than 2 feet because a 2 foot fixture is the smallest fixture we make). Where we round up, we will not be filling the entire fixture; we will start at the top and merchandise in the fixture until we have reached our share of the cigarette department.



# RETAIL LEADERS

Use this table to determine the size (in linear feet) of the PM Prime Fixture

## HOW IT WORKS

Department size (in linear feet)

Share	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
35%	2*	2*	2*	2	3*	3*	3	4*	4*	4	5*	5*	5	6*	6	6	7*	7	7	8*	8	8	9*	9	10*	10*	10	11*
36%	2*	2*	2*	2	3*	3*	3	4*	4	4	5*	5	5	6*	6	7*	7*	7	8*	8*	8	9*	9	9	10*	10	10	11*
37%	2*	2*	2*	2	3*	3	3	4*	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	10	11*
38%	2*	2*	2*	2	3*	3	3	4*	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	10	11*
39%	2*	2*	2	2	3*	3	4*	4*	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	10	11*
40%	2*	2*	2	2	3*	3	4*	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	10	11*
41%	2*	2*	2	3*	3*	3	4*	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
42%	2*	2*	2	3*	3*	3	4*	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
43%	2*	2*	2	3*	3	3	4*	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
44%	2*	2*	2	3*	3	4*	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
45%	2*	2*	2	3*	3	4*	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
46%	2*	2*	2	3*	3	4*	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
47%	2*	2*	2	3*	3	4*	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
48%	2*	2*	2	3*	3	4*	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
49%	2*	2*	2	3*	3	4*	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
50%	2*	2	3*	3	4*	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
51%	2*	2	3*	3	4*	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
52%	2*	2	3*	3	4*	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
53%	2*	2	3*	3	4*	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
54%	2*	2	3*	3	4*	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
55%	2*	2	3*	3	4*	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
56%	2*	2	3*	3	4*	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
57%	2*	2	3*	3	4	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
58%	2*	2	3*	4*	4	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
59%	2*	2	3	4*	4	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
60%	2*	2	3	4*	4	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
61%	2*	2	3	4*	4	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
62%	2*	3*	3	4*	4	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
63%	2*	3*	3	4*	4	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
64%	2*	3*	3	4*	4	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
65%	2	3*	3	4*	4	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
66%	2	3*	3	4	4	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
67%	2	3*	3	4	4	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
68%	2	3*	3	4	4	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
69%	2	3*	4*	4	4	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11
70%	2	3*	4*	4	4	4	4	4	4	4	5*	5	5	6*	6	7*	7	7	8*	8	8	9*	9	9	10*	10	11*	11

\* In these examples, PM is only entitled to space commensurate with share of the cigarette department, not the entire fixture.

## RETAIL LEADERS

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### HOW IT WORKS

#### Carton Accounts: Plan CR Base CPL

- A. Retailer chooses department size
  - B. Retailer agrees to allocate the greater of 2' or PM share of market of the total linear (width) category space (share of store sales or market share, whichever greater) for a PM Prime Fixture. 90% rule applies if PM share > 55%
  - C. The Industry Pack Fixture is optional. If retailer allows a competitive industry pack fixture, then PM Industry Pack Fixture with exclusive permanent PM cigarette signage must be in the #1 position
  - D. If competitive counter/checklane displays, PM counter/checklane displays
  - E. Share of Signage
- 
- All other plan CR universal values apply
  - All other plan CR CPL1 benefits (to include 5 weeks of Growth Funds) apply except:
    - Reduced merchandising payment
      - \$0.20 per PM carton



## RETAIL LEADERS

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### HOW IT WORKS

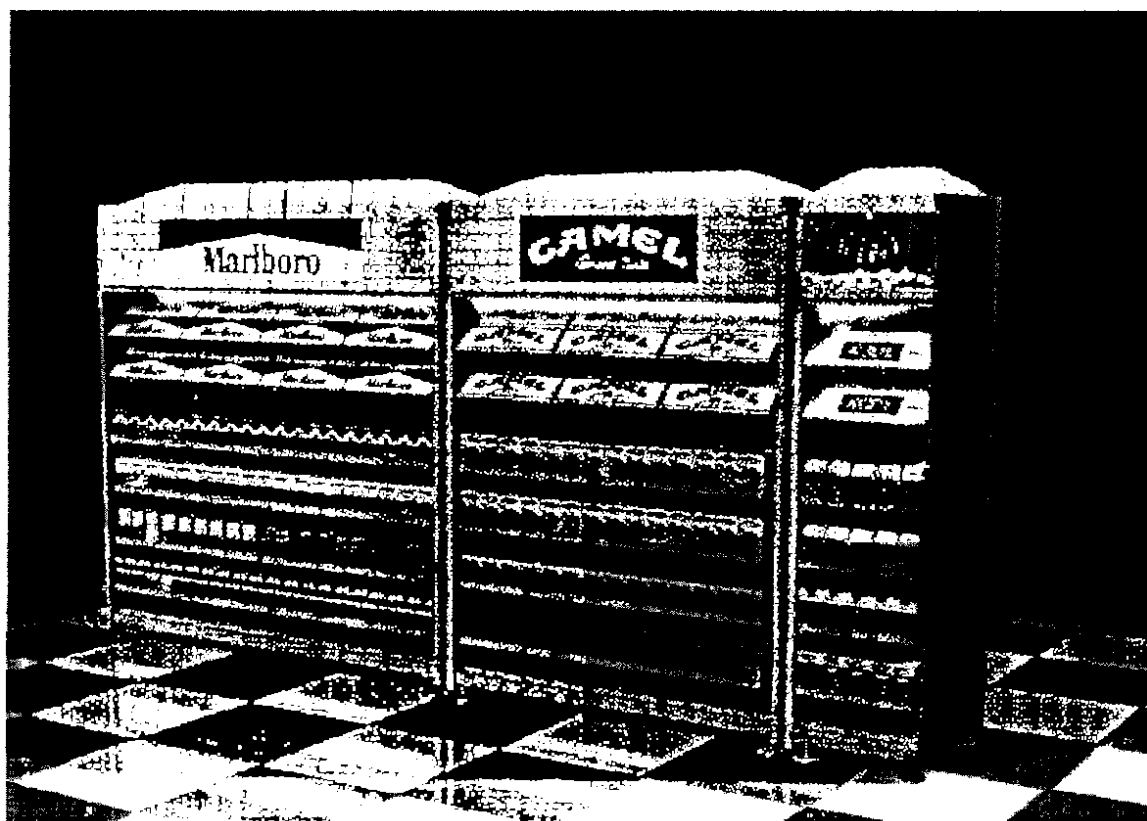
#### Tobacco Accounts: Plan TC Base CPL

- A. Retailer chooses department size
  - B. Retailer agrees to allocate the greater of 2' or PM share of market of the total linear (width) category space (share of store sales or market share, whichever greater) for a PM Prime Fixture. 90% rule applies if PM share > 55%
  - C. The Industry Pack Fixture is optional. If retailer allows a competitive industry pack fixture, then PM Industry Pack Fixture with exclusive permanent PM cigarette signage must be in the #1 position
  - D. If competitive counter/checklane displays, PM counter/checklane displays
  - E. Share of Signage
  - F. PM promotional Display with exclusive PM permanent signage thereon
- All other plan TC universal values apply
  - All other plan TC CPL1 benefits (to include 5 weeks of Growth Funds) apply except:
    - Reduced merchandising payment
      - \$0.20 per PM carton

## RETAIL LEADERS

## BENEFITS

- Provides additional alternatives for retailers
- Increases our breadth of penetration with:
  - Price-promotions
  - Strong merchandising values
- An outstanding merchandising look with a great return on investment for PM



## RETAIL LEADERS

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## ACTION PLAN

### FSF

- Sell this new option to your retail customers immediately
  - Remind accounts that Retail Masters will terminate 6/30/99
- Once agreement is reached, have retailer sign a POG
- Order Fixture(s) through the IWO process
  - If fixtures are not in the store within 45 days of IWO submission (through no fault of the account) PM will pay merchandising dollars
- Once you receive hard copy contracts, revisit store and sign contract
  - Forward signed contract and POG to Section Office
- Once you have a signed contract, enter contract into SFA/FSI.

Retail Leaders Contracted Volume	50%
Retail Masters Contracted Volume	25%
Total Contracted Volume	75%

**Lets Close the Gap!**

**25% more volume signed by  
June 30!**